

Submitted on February 14th, 2022 on behalf of the Board & Staff of [San Francisco Community Land Trust](#) by President Keith Hennessy, Secretary Hope Williams, Board Member Vivian Schwab, Board Member Dalia Rubiano Yedidia, Board Member Jeanne Marie Hallacy. Contact Information: President Keith Hennessy, jkeithhennessy@gmail.com, 415-846-2273

Democratizing & Decommodifying Housing: CLTs as Community Driven Development of Permanently Affordable Housing

Summary Description of Program

Creating a social housing program for the first time ever in San Francisco presents a truly historic opportunity to both decommoify and democratize housing. Community Land Trusts (CLTs) are ideal vehicles for social housing because they both: 1) democratize the governance of housing by transferring power to regular people in making important decisions pertaining to buildings, land use and neighborhood development, as well as; 2) decommoifies housing so that access is not mediated by the market and one's ability to pay, but instead guaranteed as a common good or human right. CLTs accomplish these two prongs by embedding community driven development into its governance through its tripartite board structure, as well as, by embedding resale restraints through law into the ownership structure of real estate. However, for CLTs to be successful they must reach scale, which requires initial and ongoing public investment.

The Program Goals

- Decommofied permanently affordable housing removed from the speculative market benefiting those of low and moderate income (below 120% AMI).
- Democratic participation and governance of affordable housing units and community development through the CLT tripartite board structure constituted by 1/3 residents and 1/3 community members.
- Scaling SFCLT to adequate levels to support its organizational sustainability and to increase its capability to develop at least 80 units of housing per year.

How CLTs create, support, and expand the development of social housing

CLTs are an important underfunded strategy for the creation of affordable housing in San Francisco because they create, support, and expand the development of social housing, in that they advance: a) democratically governed housing- housing governed by residents and regular people and NOT by public administrators and technocrats- and b) the decommoification of housing by taking housing and land off the speculative market.

CLTs democratize housing governance by democratizing important decisions pertaining to housing development and land use. CLTs do this in two ways: 1) involving and empowering residents of the land trust to participate in important decision-making pertaining to their buildings and to other buildings in the CLT portfolio; and 2) involving and empowering regular San Franciscans (not public administrators and technocrats) to participate in local community real estate and neighborhood development. Democratic participation is embedded in the land trust legal structure of the tripartite board: 1/3 of the CLT board is made up of residents, and another 1/3 is made up of community members, therefore 2/3 of the board is made up of regular San Franciscans. Finally, the remaining 1/3 of the board is composed of “public” or technical experts in law, finance, policy, architecture, and real estate development. In the practice of the land trust, these experts, as well as the CLT staff, act to educate residents and community members on the more technical areas of housing development so that they may make informed decisions.

Furthermore, CLTs decommodify housing by structurally transforming access to housing by converting housing from a market good into a common good or human right. CLTs accomplish this by removing housing from the market through resale restraints using the “split ownership” model. In this model land and structure (the building) are owned separately with the land trust owning the land and the homeowner(s) the structure. The homeowner leases the land from the land trust using the renewable 99-year ground lease. By splitting the title of the land from the structure, the home is rendered immune to sale on the market by legal covenants in the property deed.

This is akin to a city regulatory agreement placed on the property deed through a declaration of restrictions, however the difference being that a regulatory agreement’s period of resale restraint is usually less than that of the 99-year ground lease (often 30-50-75 years) and can expire while a ground lease is assumed to renew after the first 99-year term is completed. While resale restraints prevent homeowner(s) from selling their home at market price, and thus at a windfall in an astronomically priced and wildly speculative real estate market like that of San Francisco, homeowners are still entitled at the time of sale to a reasonable rate of return set by a social index (such as the CPI or AMI), and therefore reap between 1-4% of appreciation annually (depending on the index used) in addition to their initial deposit.

As a result, CLTs offer individuals of low and moderate income generally unable to achieve homeownership under the market conditions of San Francisco, another form of homeownership in the form of limited equity homeownership, which has all the same entitlements as regular homeownership (i.e., transfer to successors), as well as, providing individuals with a modest wealth building vehicle.

How CLTs advance racial and social equity, as well as geographic equity

SFCLT advances racial equity because it serves a majority BIPOC community (70% of SFCLT's residents identify as BIPOC) and is led by a majority BIPOC board (55%), at least 2/3^{rds} of which is made up of residents and regular people from the San Francisco community. Furthermore, SFCLT advances racial equity in its acquisition strategy by identifying and prioritizing properties with majority BIPOC communities for acquisition and conversion into homeownership.

SFCLT also advances social and economic equity because 73% of our residents are below 80% AMI and 50% below 60% AMI.

Finally, SFCLT advances geographic equity because it is the only city-wide developer of small sites in the Small Sites Program in San Francisco with properties spread throughout the city. SFCLT currently owns and operates 14 permanently affordable properties in Chinatown, the Mission, the Tenderloin, the Richmond district, South of Market, and soon Russian Hill.

In addition to advancing greater racial, social, and geographic equity through SFCLT, the city could encourage the creation of new CLTs, which are specific to different neighborhoods which represent specific racial/ethnic groups within the city. Specifically, SFCLT has identified a need for a Black led CLT in the Fillmore and Western Addition, as well as Bayview/Hunter's Point neighborhoods. SFCLT together with Without Walls CDC or another partner may be a prime incubator for such a black-led CLT initiative.

How the goals of the program or project can be accomplished or advanced and by what types of agencies or entities within Fiscal Year 2022-23

For SFCLT to scale sustainably it should acquire and develop 80 units of housing per year (roughly 4 projects each of 20 units), which would sustain the hire of an additional 1 FTE asset manager (from asset management fees), as well as, a 1 FTE project manager, and 1 FTE real estate acquisition developer (supported from developer's and construction fees) per year. Furthermore, however this staff would require the support of the infrastructure of: 1 FTE Executive Director charged with non-profit management, 2 FTE Asset Managers (for the existing units in the portfolio presuming there are 151 units), and 1 FTE Program manager and 1 FTE Portfolio-wide Resident & Education Outreach Coordinator (REOC) for resident and co-op education needs across the portfolio, as well as externally in supporting independent co-ops, and finally for each co-op/LEHCs one .5 REOC per project (built into project budget). 5 FTE would cost SFCLT around \$650,000 per year to sustain (excluding the .5 REOCs and two Asset

Managers who have their own funding sources), which requires additional government or foundation support beyond developer and asset management fees.

In addition, to scale to the point where 80 units per year are being acquired every year and thereby adding 1 new asset manager and contributing to the salaries of a project manager and real estate acquisition developer, additional funding is needed beyond the \$650,000. Estimating that it takes one year before these roles are self-sustaining from developer's fees, an additional \$250,000 should be added to the annual capacity funding needs for a total of \$900,000 for one year and \$650,000 for an additional 2-3 years. This government support could come in the form of increased developers' fees per project or capacity funding grants (see below).

Additional funding required to complete the ultimate goals of the program or type of project, please provide your ideas for those sources

- Small Sites program Developer's fees should be increased from the current standard of the lesser of \$80,000 per project or 5% of the total development cost to \$160,000 per project and 10% of the total development cost. With increased costs due to inflation and increased cost of living , it is high time that adjustments to this meager developer's fee are made.
- SFCLT's MOHCD capacity grant should be increased from \$101,250 (currently until 2021) annually to \$900,000 in the first year, \$650,000 in the second and third year, and potentially less thereafter depending on the ability of SFCLT to raise those funds from its projects or from foundation grants in future years.
- Growing greater foundation support in years 2 and 3 will be critical to become self-sustaining for positions not tied directly to asset management, developer, and construction management fees such as the Executive Director, Program Manager, and Resident Education and Outreach Coordinator.